

Top Secret



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*PORTUGAL: General Antonio de Spínola, who was fired last month as vice chief of staff of the armed forces, has emerged as the new ruler of the country. He was proclaimed head of the seven-man Junta of National Salvation set up by the Armed Forces Movement, which overthrew the government of President Thomaz and Prime Minister Caetano yesterday in a virtually bloodless coup.

Among the other members of the all-military junta is General Costa Gomes, Spínola's former boss who was also sacked in the row over Spínola's proposals to liberalize Portugal's colonial policy.

In an address to the nation last night, General Spínola pledged to safeguard Portugal's sovereignty and overseas areas and to restore fundamental human rights and political freedom to its citizens. He promised to work to have the country governed by freely chosen institutions in the shortest possible time and to restore power to the constitutional institutions once a president of the republic has been elected. Spínola could be expected to run for the post. He also pledged to honor any treaties the Portuguese have signed.

Ousted President Thomaz, Prime Minister Caetano, and four members of the cabinet were flown to exile in the Madeira Islands, according to press reports. The junta announced that the situation in Portugal is totally under control and advised the public to follow strictly the directions of the regular paramilitary forces.

Meanwhile, Portugal's African territories, according to the limited information available, are confused and have adopted a wait-and-see attitude regarding the coup. The basic insurgency problem in the African territories will remain and may even increase as the rebels take heart from the tasks facing the new government.

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The insurgents have consistently made it clear that they will accept nothing less than a complete Portuguese withdrawal from Africa and the granting of independence to the territories. They are not likely to accept General Spino-la's plan for increased autonomy within a federal system.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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*EGYPT: President Sadat went forward with his long-planned cabinet reorganization yesterday, changing little but elevating Economy Minister Hijazi to the newly created post of first deputy prime minister.

Hijazi will in effect be the prime minister, although Sadat himself retains the formal title. Hijazi has been the author of Egypt's liberalized economic policy, and his elevation confirms Sadat's intention to pursue his policy of "openness" despite criticism from the Soviets and radical Arabs.

Sadat's retention of the prime ministership is chiefly a public relations gesture. He assumed the post in March 1973 when he formed a "confrontation cabinet" to centralize planning for the war. His original intent in the present cabinet shuffle was apparently to turn the post over to Hijazi, but when the plans first emerged following the disengagement agreement with Israel, he was criticized for appearing to be concentrating too heavily on domestic affairs and too little on the still uncompleted "confrontation." He thus pledged to remain in the post until the last Israeli soldier had departed Arab territory.

Few new faces emerge in the new cabinet line-up. Foreign Minister Fahmi retains his post, as does War Minister Ismail, who has been given the additional position of deputy prime minister. Ismail is one of three co-equal deputy prime ministers under first deputy Hijazi. Each of the three also holds a ministerial portfolio.

Despite predictions that the unwieldy cabinet would be reduced in size in order to streamline government operations, approximately the same 35 positions have been retained. Sadat combined some ministries, such as communications and transport, but split others such as foreign trade and finance, and

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created some new posts. Chief among these is the new position of minister of state for Sudanese affairs, highlighting the importance Sadat attaches to his close relationship with President Numayri and to the joint economic projects recently agreed upon between the two states. [REDACTED]

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LAOS: A political dispute is shaping up within the new coalition government over the status of the National Assembly.

Lao Communist leader Souphanouvong, who chairs the advisory political council, is maintaining that the Pathet Lao do not recognize the "illegally constituted" assembly. Souphanouvong insists that the Lao peace agreement gives the council--which met for the first time yesterday in Luang Prabang--the functions previously handled by the assembly, including approval of the budget. Souphanouvong also stated, however, that he had no intention of making an issue over the assembly now and would wait to see how the situation develops after May 11 when the assembly is scheduled to convene.

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The Lao accords, in fact, neatly skirt the issue of the assembly's future and its relationship to the council. Souphanouvong's tack underscores the Communists' intentions to try to gain as much power as possible for the council. For his part, Souvanna wants to maintain the legislature in order to placate the rightists, many of whom sit in the assembly.

At the same time, Souvanna cannot allow the assembly to undermine the coalition arrangement.

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CHINA: The reported arrest of two military-party leaders indicates that the political campaign has reached a new stage.

Party vice chairman Li Te-sheng and Lanchow Military Region commander Han Hsien-chu have been arrested and charged with participating in Lin Piao's plot to assassinate Mao, [REDACTED]

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The two were transferred to new posts in the rotation of military region commanders last December and have recently been under heavy criticism in political wall posters. These attacks have been the most authoritative of the criticisms of several provincial leaders, a fact which lends additional weight to the report of their arrest. Posters vilifying Li have appeared throughout the country, and the more limited attacks on Han have been supplemented by an article in Red Flag, the party theoretical journal, that is almost certainly directed, in part, at Han.

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The anti-Lin, anti-Confucius campaign is moving into an increasingly overt stage in which leaders in at least seven provinces have been attacked by name. It is highly likely that there will be victims, most of them provincial military men, and it is by no means certain that Li, if purged, will be the only high-ranking party figure to fall.

Another article in the April issue of Red Flag seems to reflect the deepening nature of the campaign, but also suggests that it has some distance to travel.

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The article calls for uniting the overwhelming majority of the people so as to expose the "class enemies." So far neither central government documents nor other authoritative media articles have been specific in identifying who the "class enemies" are. This question doubtless is at the heart of the disputes between the contending factions both in Peking and in the provinces.

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USSR: The Kremlin's recent pronouncements on detente continue to show confidence that, despite obstacles, a patient pursuit of its "peace offensive" will pay off. The defensive quality of some of these statements suggests, however, that the Soviet leaders are concerned the near-term outlook is not so bright.

In a recent speech commemorating Lenin's birth, Politburo candidate-member Ponomarev paid customary tribute to Moscow's foreign policy and to Brezhnev's role in implementing it. Moscow's globalist policies, according to Ponomarev, have produced concrete results, with the Kremlin's voice now being listened to with "massive attention" everywhere. Ponomarev noted, however, that further "stubborn efforts" will be required if the "systematic provocations" against Moscow's peace policies are to be overcome and detente is to become irreversible. Ponomarev defensively asserted that there was no reason to change Soviet foreign policy merely because of "temporary political situations."

Party leader Brezhnev also spoke out in behalf of detente at the recent Soviet Communist youth congress in Moscow. Brezhnev said that the words "peace offensive" indeed aptly describe the Soviet foreign policy line, which is progressing steadfastly though not without certain difficulties. Brezhnev blamed the Maoists in Peking and imperialist circles elsewhere for attempting to undermine Soviet detente policies, but the Soviet leader maintained that his gradualist, step-by-step approach would produce positive results.

A more qualified assessment of the prospects for detente was offered by Moscow's leading Washingtonologist, Yuri Arbatov, in a recent article written especially for United Press International. Addressing US-Soviet relations, Arbatov said that the improvement so far in bilateral relations may not prove to be lasting if steps are not taken soon to

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give it more substance. Arbatov argued that Soviet students of American affairs regard the present US commitment to detente as "very complicated and contradictory." He singled out alleged US efforts to interfere in Soviet internal affairs as endangering mutual trust and confidence. If obstacles to trade and other economic matters are not removed, Arbatov professed, there may be a serious setback in relations. [REDACTED]

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CSCE: The discussion of the EC Nine's report on CSCE at the North Atlantic Council meeting on April 22 found the non-EC members in general agreement with the Nine. The report showed that the EC maintains that some additional concessions will have to be granted by the Soviets in order to complete the negotiations at the summit level this summer. Some allies have stressed that a firm US position in the final phase of negotiations will be necessary to prevent erosion of the Western position.

The paper, which notes a lack of accomplishment thus far at Geneva, calls for vigorous Western efforts to capitalize on the USSR's desire for a quick conclusion of the conference and a summit level meeting where the final document will be signed. By these moves, the EC hopes to obtain concessions on the issue of freer movement of people and ideas and for confidence-building measures in the section on military security in Europe.

Because the West Germans felt they had won little from the Soviets in the compromise on April 5 on the inviolability of frontiers, the Nine are calling for continuing efforts to ensure that the Soviets allow an interpretation that would permit some peaceful change in frontiers. They also plan to insist that a separate section sanctioning peaceful change of frontiers be tied as directly as possible to the section on inviolability. This measure is particularly important for Bonn, which wants to keep alive the possibility of a reunited Germany. Italy, Spain, and Ireland also do not want to foreclose the possibility of frontier adjustments.

The EC paper recognizes that the Eastern desire to complete the negotiations in July and to have the heads of government sign the CSCE agreement would serve Soviet purposes of legitimizing the status quo in Europe and would appear to cap the detente process with major gains for Moscow. In order to maintain

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the idea that the current CSCE is but one step on the road to detente, the Nine are urging the rest of the NATO allies to keep the follow-up arrangements simple and allow a review conference in 1977. There is some sentiment for moving up a proposed review conference to 1976 if necessary to win neutral support at Geneva.

The EC paper also recommends that unless the East proves more forthcoming, the signing of the CSCE document be at the foreign minister rather than summit level in order to highlight further the continuing nature of the detente process. Fall-back positions outlined in the paper indicate, however, a willingness eventually to settle for a summit if sufficient Eastern concessions are obtained.

The US raised the only major complaint to an Italian-sponsored plan for a separate CSCE document on the Mediterranean. The US argued that a separate Mediterranean resolution would violate the agreed CSCE agenda and would introduce extraneous and dangerous issues into the talks. The EC insists that the Italian resolution is necessary to prevent others, such as Spain, Cyprus, or Malta, from introducing a more dangerously worded Mediterranean resolution. The EC members, however, expressed differing degrees of support for the Italian proposal.

The North Atlantic Council left open the possibility of NATO review of CSCE at the June meeting of NATO foreign ministers in Ottawa before the governments make final decisions on the concluding phase of the conference. [REDACTED]

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UNITED KINGDOM: Inflation will take a new twist in late May when cost-of-living escalator clauses in Phase III wage agreements affecting over 6 million workers begin to come into force.

The increase in retail prices of 0.9 percent in March brought the index close to the point at which automatic pay adjustments would come into force. Tax increases on certain luxury commodities included in Prime Minister Wilson's budget announcement last month will help push the index this month 7 percent above the October 1973 price level. Once this point is reached, eligible workers will receive \$0.95 a week in extra pay and an additional \$0.95 for each one-percent increase in retail prices.

The escalator clauses could lead to an \$8-increase in eligible workers' weekly wages this year, boosting their average earnings by about 7 percent and adding to inflationary pressures. With prices rising at an annual rate of 19.7 percent in the first quarter of 1974, inflation is already worse in Britain than in most other industrial nations.

BRAZIL: Rumors are circulating that economic policy-makers of the previous administration--including former finance minister Delfim Netto--are suspected of having profited illegally from their positions and may be in serious trouble with the current regime.

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A major source of the speculation is the announced government take-over of one of the nation's largest private banking institutions, said to have followed questionable--possibly illegal--practices for some time. The Geisel administration may be seeking to determine whether the previous economic policy-makers knowingly permitted such activity, and if so, why. Among other charges, the poorly managed bank is said to have obtained loans from abroad for "dummy" corporations and then channeled the funds to its own companies.

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Geisel may also be able to blame certain developing economic problems on the previous administration. After blocking Delfim's bid to become governor of Sao Paulo, the President probably welcomes the opportunity to heap additional discredit on him and thus blunt definitively the political ambitions of Delfim and his supporters in Sao Paulo. The President could be politically embarrassed, however, if the former head of the Bank of Brazil is seriously implicated, because Geisel had named him to run in this year's senatorial elections.

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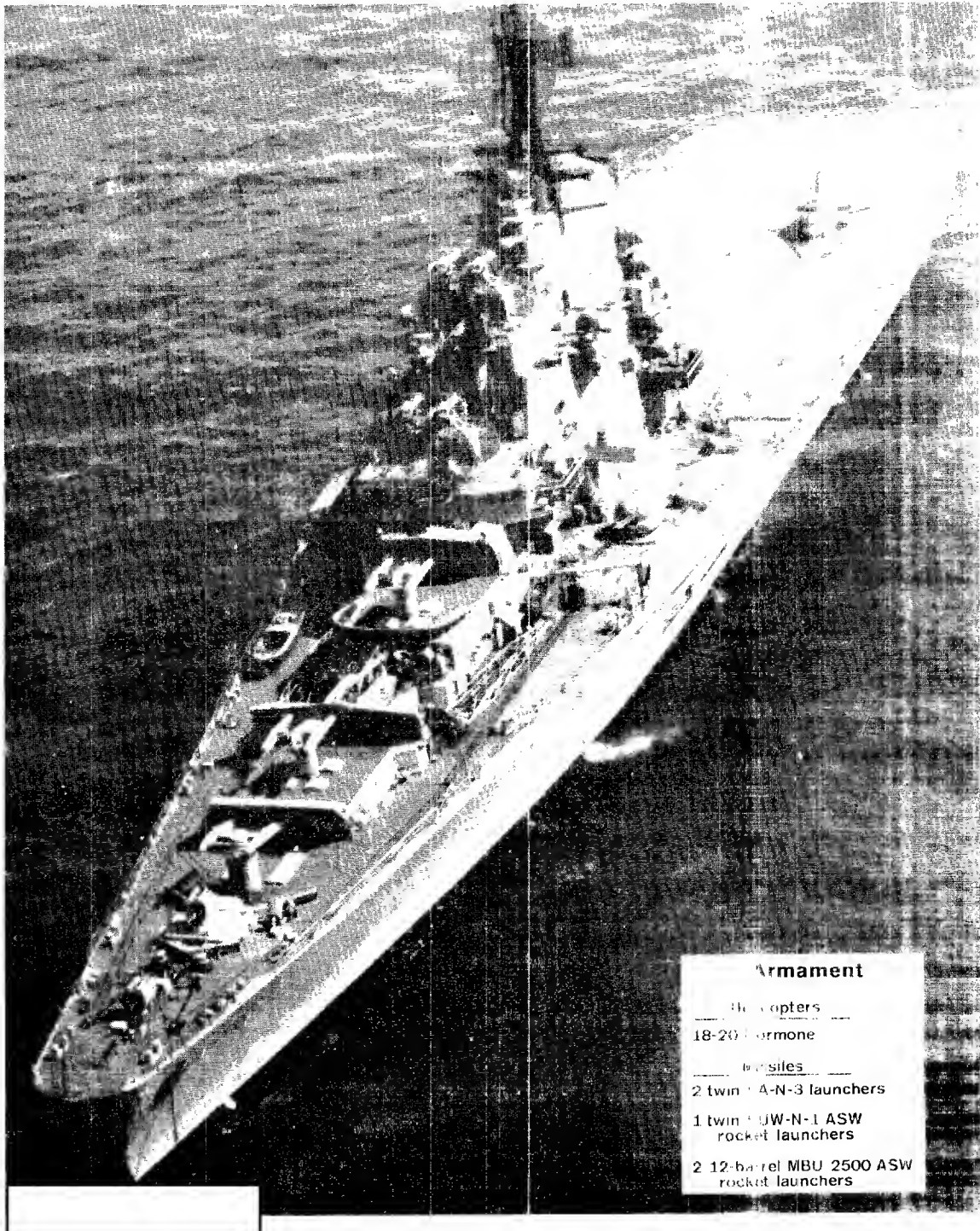
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Moskva Guided-Missile Helicopter Carrier



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USSR: The Moskva, one of two Soviet guided-missile helicopter carriers, entered the Mediterranean from the Black Sea on April 25, accompanied by a Kashin-class guided-missile destroyer. This is the sixth time the Moskva has been outside the Black Sea. The carrier may conduct antisubmarine warfare exercises with a Soviet cruiser and a destroyer escort that are anchored near Crete. In the past, Moskva cruises out of home waters have lasted from one to three months. [REDACTED]

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Belgium: Leo Tindemans, after forging a shaky minority coalition of Social Christians and Liberals, was named prime minister of Belgium yesterday and his cabinet was formally approved by King Baudouin. Twelve of the nineteen ministers appointed, including foreign affairs and defense, were members of the previous cabinet. [REDACTED]

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Morocco: The Moroccan cabinet shuffle announced yesterday created another government of technocrats, according to early press reports from Rabat. Mohamed Osman is still prime minister, a post he has held since November 1972. The changes presumably were intended to improve administrative efficiency rather than to broaden participation in the government. Press reports indicate that all of the new appointees were independents with no party affiliation. [REDACTED]

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South Africa: In the parliamentary election held on Wednesday, Prime Minister Vorster's National Party slightly increased its already large majority. In the new House of Assembly, the Nationalists will have 122 seats; the United Party 41, and the Progressive Party 6. Despite the Progressive Party's gain from only one seat, the all-white electorate has given Vorster a convincing mandate to go ahead with any measures he considers essential for maintaining white supremacy. [REDACTED]

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